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ANNUAL AUDITED REPOR FORM X-17A

Washington, D.C. 20549

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

PART III

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNIN	vG 01/01/0	1 AND EN	DING12/:	31/01
	MM/DD/Y	Y	MM/	DD/YY
A.	REGISTRANT ID	ENTIFICATION		
NAME OF BROKER-DEALER:	ProFinance Ass	sociates, Inc.		
			OFFICIA	AL USE ONLY
	01100 ID04 (D	DOD	FIRE	M ID. NO.
ADDRESS OF PRINCIPAL PLACE OF	BUSINESS: (Do not us	se P.O. Box No.)		
	11230 Sorrento Valley	Road, Suite 160		
	(No. and Stre	et)		
San Diego		CA		92121
(City)	(State)		(Zip Code)	
NAME AND TELEPHONE NUMBER O	OF PERSON TO CON	TACT IN REGARD T	O THIS REPORT	
Constanc	e L. Gibbs		(858) 320	- 2850
			(Area Code—Telep	hone No.)
B. A	ACCOUNTANT ID	ENTIFICATION		
INDEPENDENT PUBLIC ACCOUNTAI	NT whose opinion is co	ontained in this Report	*	
Licht	er, Lawrence P Lich	ter, Weil & Associate	S	
	(Name—if individual, state las	t, first, middle name)		
9191 Towne Centre Drive, Suite	e 406	San Diego	CA	92122
(Address)	(City)	· · · · · · · · · · · · · · · · · · ·	State)	(Zip Code)
CHECK ONE:		/	PROCESSE MAR 1 5 2002	'
Certified Public Accountant			-00C00E	U
☐ Public Accountant ☐ Accountant not resident in Ur	uited States or any of it	s nossessions	MAR 1.5 2002	
		s possessions.	THOM	
	FOR OFFICIAL U	JSE ONLY	FINANCIAL	
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SEC 1410 (3-91)

Potential persons who are to respond to the collection of information contained this form are not required to respond unless the form displays a currently valid OMB control number.

^{*}Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

OATH OR AFFIRMATION

Ī	Michael B. Jones , swear (or affirm) that, to the
best of	f my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of
	ProFinance Associates, Inc. , as of
	December, 31, are true and correct. I further swear (or affirm) that neither the company
	y partner, proprietor, principal officer or director has any proprietary interest in any account classified soley as that of omer, except as follows:
u vuot	And y encope up to not not
-	
_	
-	22.0
	Hones
	Signature
	PRESIDENT
_	Title
	Laure on Hermanne
	Notary Public
	DAWNA M. HERMANSON Commission # 1251933
	S Notary Public - California €
This re	eport** contains (check all applicable boxes): Son Diego County My Comm. Expires Jon 29, 2004
X (a) Facing page.
	b) Statement of Financial Condition. c) Statement of Income (Loss).
	1) Statement of Changes in Financial Condition.
X (e	s) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
X (f	Statement of Changes in Liabilities Subordinated to Claims of Creditors.
	g) Computation of Net Capital 1) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
X (i	(i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
□ (j	A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the
X (1	Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
(I	solidation.
) An Oath or Affirmation,
	m) A copy of the SIPC Supplemental Report.
□ (1	n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

^{**}For conditions of confidential treatment of certain portions of this fling, see section 240.17a-5(e)(3).

PROFINANCE ASSOCIATES, INC.

AUDITED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2001 AND 2000

LICHTER, WEIL & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

LOS ANGELES:
7250 BEVERLY BOULEVARD, SUITE 207
LOS ANGELES, CA 90036
[323] 549-3190 TELEPHONE
[323] 549-0227 FACSIMILE

SAN DIEGO:
9191 TOWNE CENTRE DRIVE, SUITE 406
SAN DIEGO, CA 92122
{858} 320-2808 TELEPHONE
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Independent Auditor's Report

The Board of Directors
ProFinance Associates, Inc.
San Diego, California

We have audited the accompanying statements of financial condition of ProFinance Associates, Inc. as of December 31, 2001 and 2000, and the related statements of operations and retained earnings, and cash flows for the years then ended. These financial statements are the representations of ProFinance Associates, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence to support the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ProFinance Associates, Inc. as of December 31, 2001 and 2000, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

The schedules of calculations of net capital and aggregate indebtedness, reconciliation of computation of net capital, computation for determination of the reserve requirements and information relating to the possession and control requirements, in this report, although not considered necessary for a presentation of financial position, are presented in order to conform to requirements of the Securities and Exchange Commission. This supplemental information has been subjected to the audit procedures applied in the examination of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Los Angeles, California February 13, 2002

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Luth, Wil & assault

PROFINANCE ASSOCIATES, INC. STATEMENTS OF FINANCIAL CONDITION DECEMBER 31, 2001 AND 2000

ASSETS

	2001	2000
Current Assets		
Cash	\$214,847	\$115,525
Fees receivable	11,569	17,500
Deposits	2,172	2,172
Investments	24,730	18,900
Total Current Assets	253,318	154,097
Fixed Assets		
Property and equipment, net of accumulated		
depreciation of \$26,244 and \$25,147	22,914	33,667
Total Fixed Assets	22,914	33,667
Total Assets	\$276,232	\$187,764
LIABILITIES and STOCKHOLDER'S EQUI	<u>TY</u>	
Current Liabilities		
Accounts payable and accrued expenses	\$21,786	\$26,715
Total Current Liabilities	21,786	26,715
Stockholder's Equity		
Common stock, no par value, authorized 2,500 shares,		
1,000 shares issued and outstanding	10,000	10,000
Additional paid in capital	74,750	50,750
Retained earnings	169,696	100,299
Total Stockholder's Equity	254,446	161,049
Total Liabilities and Stockholder's Equity	\$276,232	<u>\$187,764</u>

PROFINANCE ASSOCIATES, INC. STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

Revenue		
Consulting and financing fees	\$676,564	\$711,552
Reimbursed expenses	396_	2,899
Total Revenue	676,960	714,451
Expense		
Automobile expense	451	2,116
Employee benefits	1,216	36,766
Wages and payroll taxes	359,596	394,948
Dues and subscriptions	5,497	14,939
Insurance	27,245	26,923
Professional services	20,094	25,849
Referral fee	5,000	20,000
Rent	26,323	32,472
Telephone	9,668	16,418
Travel expenses	7,809	13,259
Other expenses	27,945	30,002
Total Expenses	490,844	613,691
Income from operations	186,116	100,760
Other (Income) and Expense		
Investment income	(11,146)	(4,432)
Interest expense	0	86
Depreciation	10,753	738_
Total Other (Income) and Expense	(393)	(3,608)
INCOME BEFORE PROVISION		
FOR INCOME TAXES	186,508	104,368
Income tax provision	2,111	1,234
NET INCOME	\$184,397	\$103,134
INET INOCIVIE	\$104,357	\$100,104

PROFINANCE ASSOCIATES, INC. STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY FOR THE YEAR ENDED DECEMBER 31, 2001 AND 2000

	2001	2000
Common Stock Balance at beginning of year Purchases Sales	\$10,000 0 0	\$10,000 0 0
Balance at end of year	\$10,000	\$10,000
Additional paid in capital Balance at beginning of year Contributions Distributions Balance at end of year	\$50,750 24,000 0 \$74,750	\$100,000 0 (49,250) \$50,750
Retained earnings Balance at beginning of year Net income (loss) Distributions from accumulated earnings	\$100,299 184,397 (115,000)	(\$2,835) 103,134 0
Balance at end of year	<u>\$169,696</u>	\$100,299

PROFINANCE ASSOCIATES, INC. STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES Net Income	\$184,397	\$103,134
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	10,753	738
Decrease (Increase) from fees receivable	5,931	22,354
Decrease (Increase) in deposits (Decrease) Increase in accounts payable	0 (4,930)	(822) (23,028)
(Decrease) Increase in taxes payable	(4,930)	(450)
Total Adjustments	11,755	(1,208)
Net cash provided by operations	196,152	101,926
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture and equipment	0	(34,405)
Purchase of investments	(5,830)	(18,900)
Net cash (used in) investing activities	(5,830)	(53,305)
CASH FLOWS FROM FINANCING ACTIVITIES		
Stockholder's contribution of capital	24,000	0
Stockholder's distributions of capital	(115,000)	(49,250)
Net cash (used in) financing activities	(91,000)	(49,250)
Net change in cash	99,322	(629)
Cash at beginning of period	115,525	116,154
Cash at end of period	\$214,847	\$115,525

PROFINANCE ASSOCIATES, INC. NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2001 AND 2000

1. Summary of significant accounting policies and business of the Company:

Organization and Business

ProFinance Associates, Inc. (Company) was incorporated in the state of New Jersey in August 1985. The Company acts as specialized investment bankers for various service businesses throughout the United States, and is a registered broker-dealer and member of the National Association of Securities Dealers, Inc. The basic services of the Company are to assist in arranging financing for client companies and to identify and assist in negotiating merger and acquisition transactions. The Company does not carry customer accounts or handle customer securities.

Revenue and expense recognition:

Revenues are generally recognized by the Company only upon the close of a transaction and when collectibility is reasonably assured. Whether or not a transaction closes, the Company is generally entitled to a reimbursement of out-of-pocket expenses.

Expenses are recognized under the accrual method of accounting.

Cash and cash equivalents:

The Company considers all highly liquid short-term investments with maturities of three months or less to be cash equivalents.

Office Equipment:

Office equipment is stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes:

The Company, with the consent of its shareholder, has elected to be treated as an S Corporation under the applicable provisions of the Internal Revenue Code. Accordingly, items of income, loss, credits and deductions are not taxed within the Corporation but are reported on the income tax return of the shareholder for federal tax purposes. Provision has been made for minimum state income taxes.

PROFINANCE ASSOCIATES, INC. NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2001 AND 2000

2. Revenues from significant clients:

The nature of the Company's business is to complete a small number of transactions each year for a limited number of clients. As such, it is normal for there to be revenue concentrations from significant clients. During the year ended December 31, 2001 the Company had three clients which accounted for approximately 76% of its fee revenue. The Company had five clients which accounted for approximately 72% of fee revenue for the year ended December 31, 2000.

3. Property and equipment:

At December 31, 2001 and 2000, Furniture, Leasehold Improvements and Equipment consisted of the following:

	2001_	2000
Equipment	\$ 33,562	\$ 43,218
Furniture	9,461	9,461
Leasehold Improvement	<u>6,135</u>	<u>6,135</u>
	49,158	58,814
Accumulated Depreciation	(26,244)	<u>(25,147)</u>
Total	\$ 22,914	\$ 33,667

4. Commitments:

Leases:

The Company leases office space under non-cancelable operating leases expiring on July 31, 2002. Total minimum rentals under non-cancelable operating leases are \$15,200 in 2002.

Total rental expense for the years ending December 31, 2001 and 2000 under all operating leases was \$26,300 and \$32,500 respectively.

5. Net capital requirement:

Pursuant to the net capital provisions of the Securities and Exchange Act of 1934, the Company is required to maintain a minimum net capital as defined under such provisions. Net capital and the related net capital ratio may fluctuate on a daily basis. At December 31, 2001 and 2000, the Company had net capital requirements of \$5,000 and net capital of approximately \$189,608 and \$86,022, respectively.

PROFINANCE ASSOCIATES, INC.

COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS AND INFORMATION RELATING TO THE POSSESSION AND CONTROL REQUIREMENTS UNDER RULE 15C-3-3 DECEMBER 31, 2001 AND 2000

ProFinance Associates, Inc. relies on Section K2B of the Securities and Exchange Rule 15c3-3 to exempt them from the provisions of these rules.

PROFINANCE ASSOCIATES, INC. COMPUTATION OF NET CAPITAL AND AGGREGATE INDEBTEDNESS DECEMBER 31, 2001 AND 2000

SCHEDULE I

	2001	2000
EQUITY - END OF YEAR	\$254,446	\$161,049
Less Non Allowable Assets Receivable Furniture and Fixtures (net of depreciation) Investments Deposits	11,569 22,914 24,730 2,172	17,500 33,667 18,900 2,172
Total Non Allowable Assets	61,385	72,239
Net capital before haircuts	193,061	88,810
(Increase) Decrease in Hair Cuts or Undue Concentration	3,453	2,788
NET CAPITAL	\$189,608	\$86,022
Total Liabilities	21,786	26,715
Aggregated Indebtedness	21,786	26,715
Net Capital Required	5,000	5,000
Minimum Net Capital Required 6 2/3% of Aggregated Indebtedness	1,452	1,781
Minimum Dollar Requirement	5,000	5,000
Net Capital Requirement (greater of the two)	5,000	5,000
Excess Net Capital	184,608	81,022
Excess Net Capital @ 1000% (Net Capital - 10% of Aggregate Indebtedness)	\$187,430	\$83,350

PROFINANCE ASSOCIATES, INC. RECONCILIATION OF NET CAPITAL COMPUTATION WITH FOCUS II DECEMBER 31, 2001 AND 2000

SCHEDULE II

	2001	2000
NET CAPITAL PER FOCUS II REPORT	\$189,608	\$86,022
Increase (Decrease) in Income due to audit adjustments	0	0
Increase (Decrease) in Income due to reporting error	0	0
(Increase) Decrease in Hair Cuts Undue Concentration	0	0
NET CAPITAL	\$189,608	\$86,022

LICHTER, WEIL & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

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[323] 549-0227 FACSIMILE

SAN DIEGO:
9191 TOWNE CENTRE DRIVE, SUITE 406
SAN DIEGO, CA 92122
(858) 320-2808 TELEPHONE
(858) 320-2828 FACSIMILE

The Board of Directors ProFinance Associates, Inc. San Diego, California

In planning and performing our audits of the financial statements of ProFinance Associates, Inc. for the years ended December 31, 2001 and 2000 we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission, we have made a study of the practices and procedures (including test of compliance with such practices and procedures) followed by ProFinance Associates, Inc.. that we considered relevant to the objectives stated in Rule 17a-5(g): (1) in making the periodic computations of aggregate indebtedness and net capital under Securities and Exchange Commission Rule 17a-3(a)(II); and (2) the procedures for determining compliance with the exemptive provision of Rule 15c3-3. We did not review the practices and procedures followed by the Company in making the quarterly securities audits, counts, verification and comparison, and the recordation of differences required by Rule 17a-13 in complying with the requirements for prompt payment for securities under Section 8 of regulation T of the Board of Governors of the Federal Reserve System because the Company does not carry security accounts for customers or perform custodial functions relating to customer deposits.

The management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required, to assess the expected benefits and related costs of internal control structure policies and procedures and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the Commission's above-mentioned objective. Two of the objectives of an internal control structure and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management with respect to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of the financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in condition, and that the degree of compliance with procedures may deteriorate.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However we noted no matters involving the internal control structure that would be considered material weaknesses as defined above. In addition, no condition came to our attention to cause us to believe that the Company was not in compliance with the exemptive provision of Rule 15c3-3.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practice and procedures were adequate, at December 31, 2001 and 2000, to meet the Commission's objective.

This report is intended solely for the use of management, the Securities and Exchange Commission and the National Association of Securities Dealers, and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and should not be used for any other purpose.

Lulita, Wil + lesmites

Los Angeles, California February 13, 2002